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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 9, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS000089

UNION OF AMERICA MUTUAL
INSURANCE COMPANY,

Defendant

ORDER OF INSOLVENCY, ORDER
PROVIDING FOR FILING OF PROOFS OF CLAIM,
AND ORDER APPROVING PLAN TO DISBURSE ASSETS

This matter came on before the Commission on the application of Alfred W. Gross, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission, in his capacity as Deputy Receiver (the "Deputy Receiver") of Union of America Mutual Insurance Company ("Union"), a domestic insurer licensed by the Bureau of Insurance pursuant to the provisions of Chapter 25 of Title 38.2 of the Code of Virginia. The relief sought in the Application is (1) a final Order of insolvency of Union; (2) approval of plan to notify persons with claims against Union to file a proof of claim; and (3) the entry of an Order setting bar date for claims and authorizing the

disbursement of the assets of Union to claimants in the priority set out in Virginia law.

And the Commission, having reviewed the record herein, is of the opinion and finds:

1. Union is a corporation organized and existing as a mutual assessment property and casualty insurer pursuant to the provisions of Chapter 25 of Title 38.2 of the Code of Virginia. Union has no capital stock, no policies of insurance currently in effect, and thus presently has no members, as defined in Article 3 of Chapter 25 of Title 38.2.

2. By order of the Circuit Court of Richmond, entered August 9, 2000, this Commission was appointed Receiver for Rehabilitation or Liquidation of Union, and Commissioner Gross was appointed Deputy Receiver, and empowered to appoint a Special Deputy Receiver.

3. The Deputy Receiver, by letter dated August 9, 2000, appointed Melvin J. Dillon Special Deputy Receiver of Union.

4. The Special Deputy Receiver has taken charge of the assets, books, and records of Union, has examined the financial condition of Union, and has determined that Union is insolvent within the meaning of § 38.2-1501 of Chapter 15 of Title 38.2 of the Code of Virginia, in that Union has liabilities in excess of assets.

5. The Deputy Receiver has reviewed the conclusions of the Special Deputy Receiver, and concurs in them.

6. It is in the best interests of the policyholders and creditors of Union, and in the public interest, for the Commission to enter an Order finding that Union is insolvent.

7. The assets of Union which are reasonably available to pay claims and the administrative expenses of Union, as of September 30, 2000, total approximately \$77,009.00.

8. The asserted outstanding policyholder claims against Union, and the estimated liabilities of Union, as of September 30, 2000, total approximately \$100,487.00. Included in this amount is approximately \$3,700 in outstanding checks which have not been presented for collection at Union's accounts. In addition to known claims, there is a possibility of incurred but not reported losses on commercial general and homeowner's liability policies issued by Union, the amount of which is unknown, but which is not estimated to be large. The largest single creditor of Union is a reinsurer, a member of the Gen Re group of companies, which has asserted a claim for overdue reinsurance premiums of approximately \$65,000. The merits of this claim have not been determined by the Special Deputy Receiver.

9. The assets of Union, while insufficient to pay all claims, are sufficient to settle known policyholder claims at

their reasonable value, and to pay the reasonable estimated value of incurred but presently unknown claims. It is therefore unlikely that there will be any "unpaid claims" of Union's policyholders within the meaning of Article 1, § 38.2-1603 of Chapter 16 of Title 38.2 of the Code of Virginia. It is therefore unnecessary for an Order of liquidation to be entered against Union, or for the Virginia Property and Casualty Insurance Guaranty Association ("Guaranty Association"), established pursuant to Chapter 16 of Title 38.2 of the Code of Virginia, to take any steps under Article 16 unless the Commission shall order otherwise at some future date upon petition of the Deputy Receiver. For the same reason it is unnecessary to disburse any of the funds of Union at the present time to the Guaranty Association.

10. The potential claimants against the assets of Union consist of its former policyholders; persons with claims against Union's policyholders arising under Union's contracts of insurance; and Union's general creditors. The Commission finds that it will provide reasonable notice to each person known to have a claim against Union to be mailed a proof of claim, in the form attached hereto, within thirty (30) days of the entry of this Order. Because records of Union relating to the names and addresses of all former policyholders cannot be accessed without great difficulty, it is not practical to give individual notice

to all former policyholders of Union. Therefore, notice to file a proof of claim should be given to all former policyholders, and others who may have claims but are unknown to the Deputy Receiver, by publishing a notice of the determination of the insolvency of Union, and the obligation to file a proof of claim, in one or more newspapers of general circulation likely to cover the geographical areas in which Union had policyholders. The notice shall inform potential claimants where they may obtain a proof of claim, and further notify them that any claim not filed as required by this Order shall not be considered or paid until all other duly filed and approved claims are paid in full. The notice shall also specify to the holders of all outstanding checks drawn on Union's accounts that those accounts have been closed and that the holders of such checks must file a proof of claim in order to have this claim considered.

11. Due to the likelihood that there are no unknown policyholder claims against Union, the Commission finds that a claims bar date of sixty (60) days from the date of mailing of a proof of claim to known claimants, and of ninety (90) days from the date of advertising for unknown claims, are reasonable.

12. The assets of Union should be disbursed in the order of priority provided in § 38.2-1509.B. of Chapter 15 of Title 38.2 of the Code of Virginia, with the exception that the

Deputy Receiver need not await any claim from the Guaranty Association before distributing assets.

NOW, THEREFORE, it is Ordered, adjudged, and decreed:

(1) That Union of America Mutual Insurance Company is insolvent within the meaning of § 38.2-1501 of Chapter 15 of Title 38.2 of the Code of Virginia;

(2) That the Deputy Receiver, acting through the Special Deputy Receiver, is authorized and directed to send notices to file proof of claims to all known claimants against the assets of Union of America Mutual Insurance Company;

(3) That the Deputy Receiver, acting through the Deputy Receiver, is directed to publish a notice of the determination of the insolvency of Union of America Mutual Insurance Company and of the obligation to file a proof of claim, in one or more newspapers of general circulation likely to cover the geographical areas in which Union of America Mutual Insurance Company had policyholders. The notice shall inform potential claimants where they may obtain a proof of claim, and further notify all potential claimants that any claim not filed as required by this Order shall not be considered or paid until all other duly filed and approved claims are paid in full and to advertise for unknown claims, as prayed for herein;

(4) That a bar date for claims of sixty (60) days from the date of mailing of notice to known claimants, and of ninety (90)

days from the date of advertisement for unknown claims, is hereby Ordered;

(5) That the Deputy Receiver, acting through the Special Deputy Receiver, is authorized to disburse the assets of Union of America Mutual Insurance Company in the order of priority established pursuant to § 38.2-1509 of Chapter 15 of Title 38.2 of the Code of Virginia, as prayed for herein; and

(6) That this matter is retained on the Commission's docket for such other and further relief and measures as may appear to the Commission as necessary, just, or proper.

ATTACHMENT

Union of America Mutual Insurance Company,
in receivership
Post Office Box 19662
Raleigh, North Carolina 27619
919-781-5187

POC No. _____
Mailing Date _____

PROOF OF CLAIM

NOTE: Final date for mailing or filing this Proof of Claim is _____, 2001

This Proof of claim must be completed, signed, and returned to the above address, postmarked by _____, 2001, if
mailed, or received if delivered by method other than the U.S. mail.

PLEASE TYPE OR PRINT

Enter Amount of Claim, if any:

\$ _____ Claim is for unearned premiums

\$ _____ Claim of policyholder or claim against
policyholder under a liability policy

\$ _____ Claim is for agent commission

\$ _____ Claim is for deficiency of secured claim

\$ _____ Claim is for trade or general creditor debts due
from Union of America

\$ _____ Claim is for employee compensation or benefits
due

\$ _____ Claim of an assuming insurance company

\$ _____ Claim of Federal, State or Local government

\$ _____ Claim of a Guaranty Association

\$ _____ Other: (provide explanation on separate sheet)

Attach a written statement explaining your claim and include all
supporting documentation for your claim, including:

- The particulars of the claim, including the consideration
given for it.
- The identity and amount of the security on the claim.
- The payments made on the debt, if any.
- That the amount claimed is justly owing and that there is
not a setoff, counterclaim or defense to the claim.
- If you claim a right of priority of payment or other specific
right, provide explanation.
- Attach a copy of the written documentation or instrument,
which is the foundation of your claim.

If the amount of your claim is unknown, the amount may be omitted and
insert the words "Contingent" or "Undetermined".

Include the name and address of the claimant and the attorney who
represents the claimant, if any.

The undersigned subscribes and affirms as true under the penalties of perjury as follows: that he/she has read the foregoing Proof of Claim and attachments thereto and knows the contents thereof; that the said claim against the above named company is true of his/her own knowledge except as to the matters therein stated to be alleged upon information and belief and as to those matters therein stated to be alleged upon information and belief and as to those matters he/she believes to be true; that no payment of or an account of the aforesaid claim has been made except as stated herein, that there are no setoffs, counterclaims or defense thereto; that the claimant is not a secured creditor or claimant and has no security except as state herein.

**PURSUANT TO ORDER OF THE STATE CORPORATION COMMISSION, COMMONWEALTH OF VIRGINIA, ANY CLAIM NOT
POSTMARKED ON OR BEFORE _____, 2001, WILL NOT BE CONSIDERED FOR PAYMENT UNTIL AFTER ALL OTHER
TIMELY FILED CLAIMS HAVE BEEN PAID IN FULL.**

SIGNATURE OF CLAIMANT

NAME OF CLAIMANT (PLEASE PRINT OR TYPE)

STREET OR P.O. BOX

CITY, STATE AND ZIP

TELEPHONE NUMBER

FAX NUMBER

ATTACHMENT

White - Original - Return
Blue - Company - Return
Pink - Claimant - Return